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ABSTRACT

Suitable for use by teachers as an introductory unit on entrepreneurship, this booklet is organized around 10 basic questions that the aspiring entrepreneur should be able to answer. The following issues are covered in the questions: the suitability of the individual to the entrepreneur role and vice versa, the ability of the individual to make decisions, knowing how to get started, records that the business owner must keep, development and use of profit/loss and balance sheets, regulating cash flow, the necessity of salesmanship, the role of purchasing in a successful business, and the importance of good employer employee relations. Although complete answers are not provided to the questions, enough information is given so a teacher will know the kinds of information students need to consider entrepreneurship as an alternative work role. At the end of each brief section is a one- or two-sentence summary statement. Each is a key statement of knowledge and skills needed by the aspiring entrepreneur. Combined, they can serve as a checklist on what students need to know about establishing a business. (MN)

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Professional
Development
Series, no. 5

# BE YOUR OWN BOSS: Introducing Entrepreneurship

Edgar A. Persons

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An active and creative researcher in the field of vocational education, Edgar A. Persons is also widely known for his contributions to management skills education. He had major responsibility for developing the Minnesota model for small business management education and the farm management program that was its prototype. Both programs have been so successful that they are now operating in dozens of sites throughout the country.

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# Introduction

There is a tendency to think of the business and industrial community in the United States as being primarily composed of large businesses—companies represented on the stock exchange by industries like General Motors, ITT, U.S. Steel and Mobil Oil. But in most communities the corporate giants are far outnumbered by the small businesses and industries that occupy local commercial districts.

According to the Small Business Administration, over 90 percent of all businesses in the United States are "small" businesses. Over 90 percent employ fewer than 20 people, and almost 90 percent are organized as sole proprietorships or partnerships with gross incomes of less than $200,000. Collectively, small businesses employ over 50 percent of the work force and account for 44 percent of the Gross National Product. Small businesses create a disproportionate share of new jobs and are responsible for a large share of the technological innovations.

Why are these facts important to vocational educators? The answer lies in a second question. Where do the small business and industry entrepreneurs come from and where do they get their training?

There is a common misconception that the formal training for owning and managing a small business is done primarily in the community colleges and universities that have departments or schools of business administration. It is true that many of these institutions have excellent training programs in business management. For those who attend, such programs can, if organized with the small business operator in mind, provide relevant instruction for the small business operators. The facts are, however, that only a limited number of small business persons include college-level study of business in their business establishment itinerary.

Where, then, does the aspiring business operator learn how to establish and manage a business? If one examines the high failure rate of new businesses, the conclusion might be reached that many persons must not learn how at all! Perhaps a more important question to consider is where *should* the persons who aspire to be in business have the opportunity to study the special competencies associated with starting and maintaining a business enterprise?

To answer that question, and to give credence to the inclusion of entrepreneurship study in vocational education, attention should be focused on the following facts:

1. Nationally, less than half of the graduates of secondary schools enter any form of organized postsecondary instruction and a considerably smaller number complete a course of study.
2. Traditionally, the "main street" business owners-operators have not completed a postsecondary training program in business ownership and management.
3. Many of the opportunities for business ownership are dependent upon the acquisition of a high level of technical skills such as those provided in vocational training programs.
4. For many, acquisition of technical skills through secondary or post-

secondary education is the culmination or termination of formal, in-school instruction. It is the last step in the education itinerary in preparation for employment.

If these statements characterize the educational itineraries of students who ultimately may be the owner-operators of "main street" businesses, how can vocational education help solve the problem of providing education for aspiring entrepreneurs? The solution would appear to be obvious. If training in business operation and management is important to business success, and if participation in vocational training programs is often the last opportunity for formal instruction, simply incorporate business operation and management skills into vocational training programs. But, like most simple solutions to complex problems, implementation of the idea is more difficult.

While some vocational teachers have had experience as business owners or operators and can glean concepts and ideas to be taught from their own backgrounds, many have not. Even teachers who embrace the idea that there is opportunity to improve the success of students who will become business owner-operators may be stymied by the thought of what their responsibilities are for teaching about entrepreneurship.

## The Teacher's Role

It would be unrealistic to assume that graduates of secondary vocational programs or even most graduates of postsecondary vocational programs would be ready to start their working careers as entrepreneurs. The very fact that getting started in business usually requires a substantial amount of capital mitigates against the notion of early entry into business.

Yet at least two basic objectives exist for incorporating instruction about business into vocational programs: 1) such instruction expands the career alternatives that may become part of the long-range goals of vocational students and 2) knowing what the requirements are for successful business operation will allow a student who has entrepreneurship as a goal to plan an educational and work experience itinerary that will lead in that direction. Going into business should be a planned activity. Preparation for business entry should be part of the plan.

It would also be unrealistic to assume that teachers have a lot of blank spaces in their curriculum into which units on entrepreneurship could be easily placed. It is not the intent of this booklet to suggest that a large body of material should be added to vocational education courses. But there are some modifications that can be made to build a literacy about entrepreneurship.

In some school settings, where teachers and administrators recognize the importance of helping students plan an itinerary for self-employment or the employer role, special courses may be organized for those students who are considering entrepreneurship as a career option. For those schools, the suggestions about entrepreneurship that follow may aid in developing a suitable course of study. Obviously students would have to give up study in some other area or topic in order to enroll or they would have to extend their period of study.

For others, introduction of the concepts of self-employment can be handled best by adjusting the focus of the regular ongoing vocational offer-

ings. By the use of business-related examples in classroom instruction, students can get a sense of the economic and management concepts associated with business operation.

For example, students in an auto mechanics program may be aware that they can expect to earn $7 to $8 per hour as auto mechanics. But the students are also aware that customers are charged $18 to $20 for the service. Some time spent describing an operating statement (profit and loss) for an auto repair shop should adequately explain why there is a large difference between salaries and customer charges. By understanding this difference, students not only grasp why high worker productivity is important, they are also introduced to the notion that it is necessary to keep, analyze and interpret good business records if the business owner is to know how profitable (or unprofitable) the business is.

Nor are entrepreneurship ideas restricted to the classroom. Many programs that have internships or supervised work experience as part of the instructional program have excellent opportunities to gather first-hand information about business ownership. If a portion of the work experience is devoted to gathering information about why the owner is in business, how the owner got started, the capital required for starting, sources of credit, the accounts that must be kept and similar matters about the management side of the firm, students will be better able to make judgments about the itineraries they must plan if they aspire to be business owners someday.

There is also a logical, but perhaps unproven, idea that suggests that the more one understands about the management of business, the more productive and useful one will be as an employee.

## Looking at 10 Questions

This booklet may be used as an introductory unit on entrepreneurship in secondary schools by integrating the information into any area of vocational study. The booklet is organized around 10 basic questions that the person aspiring to be an entrepreneur should be able to answer. Complete answers are not provided to the questions, but enough information is given so a teacher will know the kinds of information students need to consider entrepreneurship as an alternative work role. Knowing what is needed will alert the teacher to recognizing good information to pass on to students and can be a good guide to helping students plan experiences that will fit into their itineraries for business establishment.

At the end of each brief section is a one or two sentence summary statement. Each is a key statement of knowledge and skills needed by the aspiring entrepreneur. Combined, they can serve as a checklist on what students need to know about establishing a business.

# 1. Is the individual suited to the entrepreneurship role?

It would be a mistake to assume that everyone can be a business owner-operator. In addition to needing capital, suitable opportunity and motivation, there are personal qualities that set entrepreneurs apart. A first step in making a decision to be an entrepreneur is a self-examination to determine if an individual has the personal characteristics most commonly found in successful business owner-operators. A few of these characteristics are listed in the following chart.

SOME PERSONAL CHARACTERISTICS OF SUCCESSFUL ENTREPRENEURS

1. A "self-starter"—has initative
2. Likes people
3. Has some leadership qualities that encourage others to go along with suggestions and ideas
4. Likes to take charge and see things through to completion
5. Does not object to working hard for a desired goal
6. Likes to plan things out before starting
7. Can make quick decisions if necessary
8. Can be trusted
9. When a decision is made, follows through with it
10. Has lots of energy; can keep going for long periods of time

All successful entrepreneurs would not score high on every characteristic, but they certainly would be strong in most of them. Entrepreneurs also have a strong urge to be independent, but independence is not a sufficient quality to sustain entrepreneurship.

The ability to deal with risk is also important, but it should not be confused with the taking of extraordinary chances. All forms of entrepreneurship involve some risk, which is the one element that separates the owner-operator from the paid manager. The degree of risk varies among types of businesses. Even within the same business type, owner-operators are subject to variations in risk by the way in which they choose to manage the firm. A person cannot be an entrepreneur without expecting to deal with risk and uncertainty.

When vocational education students are counseled about careers, it would be appropriate to have them examine their suitability to be self-

employed. Many who have the characteristics of successful entrepreenurs may not have considered the option. Others who have considered the option may not possess the characteristics associated with success.

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*Persons contemplating starting and operating a business should begin by determining if they have the personal qualifications that are generally associated with successful business operation.*

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## 2. Does the entrepreneurship role suit the individual?

Just as it would be a mistake to assume that anyone could be a successful entrepreneur, it would be an even bigger mistake to assume that those suited to the role should aspire to become entrepreneurs. Some persons, regardless of how well suited, don't *want* to be entrepreneurs. Examining goals and values is a key step in the entrepreneurship decision. After looking at any of the 10 characteristics of entrepreneurs listed previously, students could think of reasons why some people may not want to use that characteristic in an entrepreneurial role.

For example, students could consider the last characteristic—the level of energy. A person may have energy to spare and could use it well in owning and operating a business. However, because of personal goals and values the individual may prefer to divide this energy between work and personal uses. He or she might be willing to use lots of energy working hard on the job but would want some energy to be left over for family activities, personal hobbies, community service, religious activity and other non-job related pursuits. Being in business may not be consistent with an individual's personal goals and values.

People often fail to carefully examine their goals before making career decisions. Sometimes business operators do not take time to reflect and determine if being an entrepreneur meets their goals. One particular family ran a rather successful business. It had been in operation for more than 25 years, with recent gross annual sales in excess of $1 million and above average profits. The operators—a married couple—were excited about the prospect of enrolling in a class on management. Shortly after class, the instructor received a phone call from these two business operators. They said:

"When we went home after the first class session and reviewed 'Rate Your Goals' and 'What Does Your Family Want?', we were able to define our family goals. What we apparently wanted all along was more time with each other and much less business. We've decided to sell our business."

The anecdote is self-explanatory. There must be a match between the rigors of being in business and family goals if the operator and family are to find pleasure and fulfillment as entrepreneurs.

Most people go into business for themselves to satisfy certain goals. The chief goal for many is to make a profit. But there are often other goals to which business owners give equal importance. Being your own boss or being independent often rank high as goals. Others name such goals for self-employment as being able to provide a needed service, the challenge of being in a risk-taking venture, the chance to test their own capabilities and the opportunity for the family to work together.

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*Any instructional activity for students contemplating business ownership must include an opportunity to examine business in relationship to personal and family goals.*

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# 3. Does the individual know how to make decisions?

If a teacher asks a student, "Do you know how to make decisions?" the most likely response is "Of course!" It's true that almost everybody makes decisions, so obviously people know how. But most everyday living decisions are relatively unimportant. Choosing between eggs and cereal for breakfast, the blue suit or brown suit to wear to work, or the necklace or scarf to accent a new dress can involve one type of decisionmaking. But a different caliber of judgment is required for decisions on buying a new delivery truck for the store, investing in a newer milling machine for the shop or remodeling the day-care center to accommodate 10 more children. Such decisions have both short-range and long-range economic impact on the business. These decisions may alter the financial picture of the company today and affect the organization, sophistication and management of the business for years to come. Such decisions cannot be made haphazardly. There must be an orderly process for analyzing any situation if an owner expects to be "right" more often than "wrong."

## Ten Steps

The decision process usually involves a series of sequential steps. These steps are sometimes defined as:

1. Collecting data or information about the present situation
2. Locating the problem
3. Establishing a goal or objective
4. Analyzing the resources available to apply toward the solution
5. Looking for alternative solutions
6. Determining the consequences of each alternative
7. Evaluating the consequences in terms of personal goals, values and beliefs
8. Choosing an alternative—deciding
9. Putting the plan into effect
10. Evaluating the outcome

Aspiring business owner-operators must understand the effect of good decision-making on the success of the business. While there may be some "luck" associated with business success, most success is due to good decisions. Good decision-makers make their own luck.

This simple example may help illustrate how the decision-making process could work in a business setting.

Through a good records/accounting system, the operator of a nursery collects data on the production and sale of fruit trees (collecting data).

On examining the records, the operator discovers that there is an unusual amount—17 percent—of winter kill in the fruit nursery stock (locating the problem).

By reading the trade magazines and production bulletins, she discovers that winter kill in good nurseries should be kept to 5 percent or less. She decides that 5 percent winter kill is a reasonble target (setting a goal).

There is some unused space in the nursery, but there are few added resources that can be used to solve the problem. She could use more labor to spend more operating money on winter kill control (analyzing the resources).

Several things could be done to reduce the winter kill: 1) moving the trees to a more favorable location, 2) mulching the soil in the fall to protect root growth, 3) irrigating in the fall to raise water content of the trees, 4) wrapping the trunks to reduce sunscald, 5) changing varieties to more hardy fruit trees that survive in winter weather (examining the alternatives).

Each alternative is examined for the probable consequences and for the use that will be made of resources. In this case, moving the nursery stock to a new location will require the most resources. But all of the alternatives will do the job, especially if some are used in combination with others (examining the consequences).

Now each alternative has to be examined in relation to goals, values and beliefs. In this illustration, no conflict exists with personal values and beliefs, but some are in conflict with goals. Changing location is in conflict with the goal of keeping some desirable growing space free of planting for aesthetic reasons (evaluating the consequences).

The only tasks left are to *decide* and to *implement the decisions,* followed by careful record keeping to determine if the decisions were correct (evaluating).

Not all decisions may involve as many alternatives, but the process of making a good decision needs to be standardized so that the business operator does not overlook important steps. While not all decisions will be right, they are more likely to be right than wrong when made in an orderly process.

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*Potential business operators must understand the role that good decision-making plays in business success and develop a systematic procedure for making decisions.*

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# 4. Does the individual know how to get started?

Getting started in business can be a real puzzle. There are so many questions to answer and decisions to make! A potential business owner should ask such questions as:

- What kind of business should I start?
- How big does it have to be to provide the income I expect or need?
- Where should the business be located?
- How much capital will it take to get started?
- How much financial help will I need and where can I get it?
- How do I prepare the proper plan for getting started?
- What form of organization should the business take?
- How long will it take for the business to be profitable?

These are not easy questions to answer. They can be even tougher if the potential business owner-operator does not have some guidance in finding good solutions. Because of the failure of many persons to work out a logical and systematic answer to each question, the business either fails entirely or fails to provide the satisfaction the operator was seeking.

Vocational educators can assist students in finding good answers to the questions. Most vocational instructors have knowledge of their own industry and the special requirements associated with getting established in that industry. Take, for example, the instructor in an auto body program. She or he probably has had some personal experience in the industry as a prerequisite to teaching. By talking with advisory committee members and former students, the instructor can supplement personal knowledge with information about owning and operating an auto body shop. Information and experiences gained in this way provide the nucleus of information required to guide students on establishing a business.

Any vocational student in an occupation where small business ownership is common should *expect* to get information on how businesses get started. The failure of small businesses can be traced more often to lack of business knowledge and skills rather than to a lack of technical trade competence. If teachers know that auto body shops, for example, fail because of poor management rather than because of poor workmanship, then they can help to prevent failures by training potential business owners.

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*Students aspiring to start a business must have current relevant information about the business that can be used in planning the location, size, financial requirements, sources and uses of credit and a start-up operating plan.*

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# 5. What records does the owner have to keep?

This question is included because it is frequently asked. It is the wrong question. A better question is "What records *should* the owner keep?" The questions have different answers. An owner has to keep those records needed to conform to legal requirements. Records that will provide information for income tax, sales tax, other imposed taxes, unemployment compensation, employee tax withholdings and FICA payments are normally required by law, although the laws do not dictate the format in which they will be kept.

The records that *should* be kept are: 1) those that the law dictates, so an owner has no difficulty in meeting the legal requirements of staying in business and 2) records that will provide information to improve management and to measure the progress of the business. The chief purpose of a record system should be to improve or assist in management of the firm. If the only records kept are those required by law, the necessary management information will not be available.

There are a number of uses that can be made of good business records. A review of those uses will help to illustrate how valuable a good record system can be to the success of a business. Records can be used:

- To satisfy government requirements
- As historical documentation to chart trends in the business
- To provide information to satisfy creditors in obtaining and using credit
- To verify business performance and payments due
- For decision-making, locating problems, finding feasible solutions and evaluating the results
- To evaluate the progress being made toward business and family goals, and in evaluating the results of major decisions

For a record system to be useful for all those purposes, there are some key elements the system must have. Records should be maintained if the business has transactions or business activity that fall in the following categories:

- A business checking account
- Sales records
- Cash receipts
- Case expenses and disbursements
- Accounts receivable
- Accounts payable
- A record of all business accounts
- A depreciation schedule
- Insurance records
- Employee compensation records
- Inventory control

Such an impressive list of "shoulds" is apt to make the student with no training in accounting run for cover. They are more afraid of the unknown than frightened from prior experience. Yet, it is essential for students who aspire to be business owner-operators to have a knowledge of what kinds of records should be kept and how they will be used.

### Simulating a Business Operation

There are many situations within vocational training where students can gain experience in the use of records in management. Some vocational programs that actually perform labor for persons outside the class offer excellent opportunities for practicing good record keeping, even if little or no money changes hands. To draw an example again from the auto body shop, students can operate the shop as if it were a business. All of the elements necessary to simulate a business operation are available in the shop.

The auto shop uses materials and manpower to perform a customer service. By adapting the record systems of local private auto body shops for charging out materials and time, this information can be compiled into a monthly "profit and loss" statement. The profit and loss statement can be an interesting and useful teaching tool for emphasizing the use of records in the business. Students need to become familiar with all of the business records that deal with payroll, employee taxes, inventory, accounts payable and receivable. This will help them if they work as entrepreneurs or if they are employed in small firms, where many duties of management and production are shared.

In the appendix to this booklet are the names of the trade associations of many industries for which students are trained. Some information about the kind of record keeping that is useful in each industry can be obtained by contacting the appropriate industry association.

If business ownership skills are considered essential, time spent learning about and practicing shop record keeping may be as useful as developing a high level of skill with a particular tool. While much attention is often given to ensure that the tools, equipment, curriculum and procedures conform to those of the industry, less attention is paid to developing the organization and management skills of students who will some day *be* the industry.

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*Knowledge about the uses of good business records, the kinds of business records to keep and the ways records can be used to guide decision-making should be part of the competencies developed by persons who aspire to be business owner-operators.*

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## 6. Can the individual develop and use profit and loss statements and balance sheets?

No two single documents are used as extensively in the management of a business as a profit and loss statement and a balance sheet. These documents provide the answers to the questions "How am I doing?" and "How did I get there?"

The balance sheet is like a snapshot of the business. It records on a specific day and specific time exactly how the business looked in a financial sense. Almost everyone has enjoyed browsing through the family picture album. Pictures of a first birthday party, a first day at school, a first date all mark some point in personal progress. In business the balance sheet serves the same purpose.

The format of the balance sheet is fairly standard for most small businesses. It is a record of assets (the things owned), liabilities (what is owed others) and equity (share of ownership of the assets). In very simple form, a balance sheet is organized as follows:

| BALANCE SHEET | | JUNE 1, 19__ |
|---|---|---|
| ASSETS | | |
| Current Assets | $22,650 | |
| Working Assets | 11,200 | |
| Fixed Assets | 24,000 | |
| Intangible Assets | 4,000 | |
| Total Assets | | $61,850 |
| LIABILITIES | | |
| Current Liabilities | $ 7,300 | |
| Intermediate Liabilities | 6,700 | |
| Long Term Liabilities | 26,000 | |
| Total Liabilities | | $40,000 |
| OWNERS EQUITY | | |
| Owner's Equity | | $21,850 |
| Liabilities and Owner's Equity | | $61,850 |

It is called a balance sheet because it balances:

Assets = Liabilities + Owner's Equity.

Of course, in a real balance sheet, each of these major divisions may have as many subdivisions as are required to capture the real makeup of the business. In the current assets category, for example, the subdivisions may be:

| CURRENT ASSETS | | |
|---|---|---|
| Cash on Hand and in Bank | | 1,500 |
| Petty Cash | | 200 |
| Accounts Receivable 0-30 Days | 1,200 | |
| Accounts Receivable 31-60 Days | 900 | |
| Accounts Receivable 61-90 Days | 600 | |
| Accounts Receivable Over 90 Days | 800 | 3,500 |
| Merchandise Inventory | | 12,650 |
| Secondary Merchandise Inventory | | 4,200 |
| Prepaid Insurance | | 600 |
| Total Current Assets | | $22,650 |

The balance sheet, when organized to best reflect the individual business, will be the most valuable tool for gauging how well the business has performed. Business operators must know how to organize and interpret a balance sheet if they are going to understand their businesses. Their creditors will insist upon it.

## Profit and Loss Statement

The profit and loss statement (or operating statement as it is sometimes called) shows how the business got where it is. It is like a moving picture of a football game. Each play, each fumble, each touchdown, and even the time outs, show on the profit and loss statement. Like the balance sheet, the format of the profit and loss statement is fairly similar from business to business. It has four basic sections:

1. Income
2. Cost of goods sold (if merchandise is involved)
3. Expenses
4. Indication of profit

A profit and loss statement generally follows this format:

**PROFIT AND LOSS STATEMENT**

| | | |
|---|---|---|
| **INCOME:** | | |
| Sale of Merchandise or Services | 121,000 | |
| Returns (merchandise returned) | 3,220 | |
| Net Sales | | $117,780 |
| **COST OF GOODS SOLD:** | | |
| Beginning Inventory | 22,300 | |
| Merchandise Purchased | +73,550 | |
| Goods Available | 95,850 | |
| Ending Inventory | −18,980 | |
| Cost of Goods Sold (Goods Available − Ending Inv.) | | $ 76,870 |
| Gross Profit (Net Sales − Cost of Goods Sold) | | $ 40,910 |
| **EXPENSES:** | | |
| (Here the list can be very long. It includes all expenses associated with running the business, including depreciation). | | |
| Total Operating Expenses | | $ 26,324 |
| Net Operating Profit | | $ 14,586 |
| Other Business Income | | $ 2,061 |
| NET PROFIT | | $ 16,647 |

Of course, this illustration is a bare-bones statement, lacking the detail that might be included in a real business statement. Many things can be learned about a business from the profit and loss statement. The sharp business operator will study each statement carefully to determine exactly how the business is performing and will note the changes that must be made in management to bring performance up to expectations.

Business operators often say, "Sure, that's all good stuff to know, but what do I use as a basis of comparison? I don't know if my business is doing better or worse than others!" A person planning to go into business must know that there are many good sources of comparative data. Sometimes the trade association to which the operator belongs will supply industry records for comparison. If not, then organizations such as Dun and Bradstreet, Robert Morris Associates and Bank of America publish information on the industry that can assist in making comparisons. As mentioned earlier, a list of the trade associations is included in the appendix.

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*Without a doubt, knowledge and understanding of the uses and interpretation of the balance sheet and profit and loss statement are essential to the continued successful operation of a business.*

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# 7. How does the owner regulate the flow of cash?

Some businesses fail because they run out of cash and cannot pay their bills. This frequently happens in businesses just getting started if the owner has planned poorly and has overestimated income or not allowed enough cash for expenses. Business operators who survive soon learn that cash flow planning is essential. While some authors may imply there is something mystical about cash flow planning, that is not the case. It is a simple process of trying to estimate when cash will flow into the business and when it will flow out. The task is to plan savings in periods of high inflows of cash to meet the drain on cash when expenses exceed income. Since the use of credit is part of most business plans, it also illustrates when credit should be secured and when there will be adequate cash to pay off loans.

It is easy to see that the more information available, the easier the job will be. If there is a profit and loss statement for each month of this year, it will be easier to plan for the cash flow next year. Projections can be fairly accurate when data about the business is coupled with information from outside sources about the state of the economy, the rate of inflation, the rate of unemployment and other factors that affect small businesses and cash flow. Accuracy of cash flow planning improves with practice, but an owner

should not anticipate that cash flow projections will ever be exact. If they were, it would take some of the challenge out of being an entrepreneur!

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*Business operators must understand the necessity for cash flow projections and be able to project cash flow with some reasonable degree of accuracy.*

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# 8. Does the individual need to know how to sell?

In some businesses, knowing how to sell is essential. Thus the skills associated with making and closing a sale are important prerequisites. All businesses, in a sense, have to "sell" something. If they don't, there is no business. However, since selling a product face to face may be different than selling a service or an idea, it is better to look at the broader concept of marketing as an aspect of business ownership.

Marketing involves a whole series of decisions that shape the strategies for bringing customers and products and services together. Marketing, when viewed as a collection of market-related activities, covers the steps that go into getting a concept or product ready for the market and the follow-up activities that ensure customer convenience, safety and satisfaction. Most successful businesses work hard at developing a good marketing plan, focusing on such components as advertising, personal selling, display and public relations.

Other teachers may be able to help a vocational instructor in teaching students about marketing principles and the development of a marketing plan. Teachers of business and office education or marketing and distributive education could provide instructional materials and textbooks on marketing, as well as suggestions of speakers from the community who could relate first-hand experiences on marketing goods and services.

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*All businesses have a marketing function. Without it, there would be no business. The business operator must understand how the "market" works for the product, service or idea of that particular business. The operator should recognize that the marketing strategy includes all the decisions and tasks that bring the customers and the products of the business together. Tasks ranging from the complexity of a multi-media advertising campaign to the simplicity of a friendly customer greeting at the door may be equally important in the marketing process.*

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# 9. What part will purchasing play in a successful business?

If a business is primarily a personal service business, purchasing skills will have only a minor role in business success. As the relationship between products and personal services is weighed more heavily with products, purchasing ability increases in importance.

There is an old adage that says, "An item well bought is half sold." In the retail and wholesale businesses, this is certainly true. Almost everyone has visited a store where the merchandise seemed to be mostly of the wrong size, the wrong color or the wrong style. The purchaser had obviously forgotten the importance of buying right. Yet by examining profit and loss statements of a number of businesses, it is apparent that 50 cents or more of every dollar collected in sales is used to purchase merchandise. Merchandise adds a big cost to "selling" businesses, and goods must be purchased carefully if the business is to succeed.

Fortunately, in many businesses there are useful guides to purchasing. The guides will not necessarily help an owner choose all of the right merchandise, but with some merchandise, such as clothes, an owner can come fairly close to getting the right assortment of sizes. Good help also is provided on such aspects as materials, colors and styles. Many suppliers can assist in providing a model stock plan for a particular kind of business. Trade associations are another useful source of assistance in purchasing.

Developing skills in purchasing does not happen by accident. It takes a great deal of study, thought and sound decision-making to be an effective buyer for a business. Since the buyer and owner are usually the same person in a small firm, the person preparing to go into business needs the skills of a buyer.

Actually, the purchasing questions that must be asked are very simple: What? From whom? How many? Where? What price? How will I pay for it? It is the answers to these questions that are tough.

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*Regardless of the type of business—service, retail, wholesale or manufacturing—the business owner-operator will be involved in purchasing. Even many service businesses gain half or more of their revenue from the sale of merchandise. Because purchasing is important to almost all businesses, the business operator must develop competencies in this important facet of business operation.*

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# 10. How important are good employer-employee relations?

Because small businesses usually have relatively few employees, some business owner-operators may overlook the contribution good relationships with employees may make to the success of their business. Yet, it is no accident that good employer-employee relations result in loyal, efficient and effective employees.

Small businesses usually do not enjoy the luxury of a personnel department that can take care of all of the tasks of securing, training and looking after the welfare of employees. In most small firms that job falls to the owner-operator. In a sense the job is simpler, because it is easier to meet the needs of employees in a small business than a large firm. However, many of the techniques that larger firms use can be adapted by small firms to further enhance good employer-employee relationships and build upon the small business environment.

There is a great deal of evidence that employers and employees part company because of nontechnical reasons. Few people quit their jobs voluntarily or are fired because they were not technically able to do the work, but rather because they could not "get along." By opening up communications through sound policies and procedures for employee relations, turnover should be reduced.

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*Whether the business has only two or three or hundreds of employees, one of the keys to success will be the ability of the owner-operator to establish good employer-employee relations. This includes the securing and hiring of good employees, improving their effectiveness and efficiency through proper training, attention to communication and looking after the welfare of each employee.*

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# Conclusion

Obviously, not everything students need to know to be successful business operators has been touched upon in this brief review of the competencies of entrepreneurs. The obvious omissions are in the areas of risk management, taxes and taxing rules, planning for expansion and capitalizing on the use of economic business principles in business management. Perhaps everyone who reads this booklet will be able to add some things that have been observed or experienced that were important contributors to success in a certain kind of business. But, almost everyone will be able to think of a successful business operator who appears to lack competency in one or more of the areas mentioned. Businesses, like people, are all different. But it is important for teachers to be aware of competencies that are essential to *most* businesses *most* of the time.

While this booklet highlights many of the things students need to know about becoming a business owner, most teachers will need to study further about business ownership to prepare a unit or a special course. There are many good books and other publications written on each of the topics suggested. Knowing what is important may provide the motivation for teachers to study or experience some of the topical areas.

In today's fast-paced and competitive world, it is not enough for vocational teachers just to prepare their students to be good employees. They are selling their students short if they don't present entrepreneurship as one option for their future. Students in all vocational education program areas have the potential to start their own businesses. They might open such establishments as a catering business, secretarial service, home remodeling firm, landscaping service, tailoring shop, dental laboratory, electronics equipment repair shop, home nursing service or health food store.

The chance to "be your own boss" sounds appealing to everyone, and it may be just the motivation students need to study and work hard. While vocational students might not become entrepreneurs immediately after graduation, entrepreneurship might become one of their lifetime goals. With the advice of an interested vocational education teacher, students can map out a plan of schoolroom learning, on-the-job experience and financial planning so that one day they can be entrepreneurs.

# Appendix: Selected Trade Associations

American Association of Advertising Agencies, 666 Third Avenue, New York, New York 10017
American Camping Association, Bradford Woods, Martinsville, Indiana 46151
American Meat Institute, 1700 North Moore Street, Arlington, Virginia 22209
American Paper Institute, 260 Madison Avenue, New York, New York 10016
American Society of Association Executives, 1575 Eye Street, Washington, D.C. 20005
American Supply Association, 221 North LaSalle Street, Chicago, Illinois 60601
Bowling Proprietors' Association of America, Box 5802, Arlington, Texas 76011
Building Owners' and Managers' Association, International, 224 South Michigan Avenue, Chicago, Illinois 60601
Door and Hardware Institute, 1815 North Fort Meyer Drive, Suite 412, Arlington, Virginia 22209
Florists' Transworld Delivery Association/Interflora, 29200 Northwestern Highway, Southfield, Michigan 48076
Foodservice Equipment Distributors' Association, 332 South Michigan Avenue, Chicago, Illinois 60604
Laundry and Cleaners Allied Trades Association, 543 Valley Road, Upper Montclair, New Jersey 07043
Material Handling Equipment Distributors' Association, 104 Wilmot Road, Deerfield, Illinois 60015
Mechanical Contractors' Association of America, 5530 Wisconsin Avenue, NW, Suite 750, Washington, D.C. 20015
Menswear Retailers of America, 390 National Press Building, Washington, D.C. 20043
Motor and Equipment Manufacturers' Association, 222 Cedar Lane, Teaneck, New Jersey 07666
National American Wholesale Grocers' Association, Room 1810, 51 Madison Avenue, New York, New York 10010
National Appliance and Radio-TV Dealers' Association, 318 West Randolph Street, Chicago, Illinois 60606
National Art Materials Trade Association, 182 A Boulevard, Hasbrouck Heights, New Jersey 07604
National Association of Accountants, 919 Third Avenue, New York, New York 10022
National Association of Chain Drug Stores, Inc., 413 North Lee Street, Alexandria, Virginia 22314
National Association of Electrical Distributors, 600 Madison Avenue, New York, New York, 10022
National Association of Furniture Manufacturers, 8401 Connecticut Avenue, Suite 911, Washington, D.C. 20015

National Association of Home Builders, 15th and M Streets, NW, Washington, D.C. 20005
National Association of Insurance Agents, Inc., 85 John Street, New York, New York 10038
National Association of Music Merchants, Inc., 35 East Wacker Drive, Chicago, Illinois 60601
National Association of Plastics Distributors, 472 Nob Hill Lane, Devon, Pennsylvania 19333
National Association of Plumbing—Heating—Cooling Contractors, 1016 20th Street, NW, Washington, D.C. 20036
National Association of Retail Grocers of the United States, Suite 620, 2000 Spring Road, Oak Brook, Illinois 60521
National Association of Textile and Apparel Wholesalers, Statler-Hilton Hotel, 33rd Street and Seventh Avenue, New York, New York 10001
National Association of Tobacco Distributors, 58 East 79th Street, New York, New York 10021
National Association of Wholesaler Distributors, 1725 K Street, NW, Washington, D.C. 20006
National Automatic Merchandising Association, 7 South Dearborn Street, Chicago, Illinois 60603
National Beer Wholesalers' Association of America, 6310 North Cicero Avenue, Chicago, Illinois 60646
National Confectioners' Association of the United States, 36 Wabash Avenue, Chicago, Illinois 60603
National Consumer Finance Association, 1000 16th Street, NW, Washington, D.C. 20036
National Decorating Products Association, 9334 Dielman Industrial Drive, St. Louis, Missouri 63132
National Electrical Contractors' Association, Inc., 7315 Wisconsin Avenue, 13th Floor, Washington, D.C. 20014
National Electrical Manufacturers' Association, 155 East 44th Street, New York, New York 10017
National Farm and Power Equipment Dealers' Association, 2340 Hampton Avenue, St. Louis, Missouri 63139
National Home Furnishings Association, 405 Merchandise Mart Plaza, Chicago, Illinois 60654
National Kitchen Cabinet Association, 334 East Broadway, Louisville, Kentucky 40202
National Lumber and Building Material Dealers' Association, 1990 M Street, NW, Washington, D.C. 20036
National Machine Tool Builders' Association, 7901 Westpark Drive, McLean, Virginia 22101
National Office Products Association, 301 North Fairfax, Alexandria, Virginia 22314
National Oil Jobbers' Council, Inc., 1707 H Street, NW, Washington, D.C. 20006
National Paint and Coatings Association, 1500 Rhode Island Avenue, NW, Washington, D.C. 20005
National Paper Box Association, 231 Kings Highway East, Haddonfield, New Jersey 08033

National Paper Trade Association, Inc., 420 Lexington Avenue, New York, New York 10017
National Parking Association, 1101 17th Street, NW, Washington, D.C. 20036
National Restaurant Association, One IBM Plaza, Suite 2600, Chicago, Illinois 60611
National Retail Hardware Association, 964 North Pennsylvania Avenue, Indianapolis, Indiana 46204
National Retail Merchants' Association, 100 West 31st Street, New York, New York 10001
National Soft Drink Association, 1101 16th Street, NW, Washington, D.C. 20036
National Sporting Goods Association, 717 Michigan Avenue, Chicago, Illinois 60611
National Tire Dealers' and Retreaders' Association, 1343 L Street, NW, Washington, D.C. 20005
National Wholesale Druggists' Association, 670 White Plains Road, Scarsdale, New York, New York 10583
National Wholesale Hardware Association, 1900 Arch Street, Philadelphia, Pennsylvania 19103
National Wholesale Jewelers' Association, 1900 Arch Street, Philadelphia, Pennsylvania 19103
North American Heating and Airconditioning Wholesalers' Association, 1661 West Henderson Road, Columbus, Ohio 43220
North American Wholesale Lumber Association, Inc., Box 713, Clifton, New Jersey 07013
Northeastern Retail Lumberman's Association, 339 East Avenue, Rochester, New York 14604
Optical Manufacturers Association, 1730 North Lynn Street, Arlington Virginia 22209
Painting and Decorating Contractors of America, 7223 Lee Highway, Falls Church, Virginia 22046
Petroleum Equipment Institute, 1579 East 21st Street, Tulsa, Oklahoma 74114
Printing Industries of America, Inc., 1730 North Lynn Street, Arlington, Virginia 22209
Scientific Apparatus Makers' Association, 1101 16th Street, NW, Washington, D.C. 20036
Shoe Service Institute of America, 222 West Adams Street, Chicago, Illinois 60606
Society of Plastics Industry, Inc., 355 Lexington Avenue, New York, New York 10017
Super Market Institute, Inc., 303 East Ohio Street, Chicago, Illinois 60611
United Fresh Fruit and Vegetable Association, 727 North Washington Street, Alexandria, Virginia 22314
Urban Land Institute, 1200 18th Street, NW, Washington, D.C. 20036
Wine and Spirit Wholesalers of America, Inc., 7750 Clayton Road, Suite 201, St. Louis, Missouri 63117